

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the
Commission's Own Motion to Consider the Line
Extension Rules of Electric and Gas Utilities.

Rulemaking 92-03-050

**ADMINISTRATIVE LAW JUDGE'S RULING
ON MOTION TO STRIKE TESTIMONY**

On July 31, 2001, the Joint Utility Respondents¹ (JUR) filed a motion to strike certain portions of the testimony of the California Building Industry Association (CBIA), Utility Design, Inc. (UDI) and The Utility Reform Network/Utility Consumers' Action Network (TURN/UCAN). Responses to the motion were filed by CBIA, UDI, and TURN/UCAN on August 15, 2001.

Background

There are three discrete issues to be addressed before closing this proceeding:

1. "free" trench inspections for applicant installations;
2. the accounting for applicant design costs as on the utility's books;
and
3. the accounting for applicant installation costs as on the utility's books.

¹ Southern California Edison Company, San Diego Gas & Electric Company, Southwest Gas Corporation, Pacific Gas and Electric Company, and Southern California Gas Company.

CBIA's Credits Issue

The JURs point out that the issues remaining in this case do not include general complaints that parties have with respect to line extension procedures, or the amount of applicant design and installation credits. Therefore, the JURs contend that CBIA's testimony related to credits is outside the scope of the narrowly-defined issues remaining in this proceeding.

CBIA responds that its testimony expressly focuses on the identified accounting issues – which, of necessity, require analysis of the manner in which the utilities currently assign and allocate line extension costs and how that assignment and allocation of costs affects the market for competitive installation and design services – and demonstrates how such accounting practices stifle competition.

I conclude that any perceived problems with credits are a separate issue and are not part of the narrowly defined accounting issues remaining in this proceeding. Therefore, the JUR's motion to strike the portions of CBIA's testimony related to credits, should be granted.

Other CBIA Issues

In its testimony, CBIA proposes that the utilities:

- allow applicant installers to purchase materials from any of the utility's approved manufacturers.
- disclose all utility monopoly service charges, if requested by the applicant.
- not be allowed to penalize the applicant with overtime charges as a result of utility untimely performance.

The JURs argue that these issues should be stricken as clearly outside the scope of this proceeding. I agree.

UDI's Testimony

The JURs take issue with the parts of Dale Garren's testimony addressing: complaints over the amount of the inspection fee and how it is collected (Q.12-15); how PG&E logs or records its inspection time (Q.16-18); time taken by PG&E to assess inspection fees (Q.19-21); and, reimbursements PG&E pays builders for the cost of facilities they install (Q.22). The JURs contend that these issues are beyond the scope of this proceeding. I agree. The motion to strike the parts of UDI's testimony related to these issues should be granted.

Further, the JURs take issue with the parts of Don Hagey's testimony addressing: compliance with D.97-12-099 and the utilities Rule 15F.1.f. (Q.7); the methodology for calculating the design credit (Q.11 and 12); the amount and methodology for the design credit (Q.13-17); compliance with D.97-12-099 and market based bids for applicant design (Q.20); the legal argument for not presenting a Section 783 analysis (Q.21); and, alleged use by PG&E of the inspection fee as a marketing tool (Q.23). The JURs' contend that these issues are outside the scope of this proceeding. I agree. The motion to strike the parts of the testimony related to these issues should be granted. UDI's legal argument for not presenting a Section 783 analysis should be included in its brief to be filed at the conclusion of this proceeding.

Next, the JURs argue that the affidavit of Dennis Razzari should be stricken in its entirety because it is obsolete and not relevant. The JURs point out that the affidavit was executed in 1997 based on an incident in 1989, and raises an immaterial and out of scope issue, namely, the amount of PG&E's inspection fees.

Also, the JURs argue that the affidavit of Barry Crosby should be stricken in its entirety as it is obsolete and not relevant. The JURs point out that the affidavit was prepared in 1997 based on an incident in 1993. I agree that the affidavits of Dennis Razzari and Barry Crosby are beyond the scope of this proceeding, and the motion to strike these two items should be granted.

TURN/UCAN's Rate Base Issue

In its testimony, TURN/UCAN propose that the utilities not be allowed to add to ratebase any costs of line and service extensions that are greater than the revenue based allowances associated with those extensions. TURN/UCAN argue that the JURs regularly book to rate base amounts in excess of the maximum allowance. And, since cost-recovery is achieved through "rate basing" the associated costs, placing utility shareholders at risk therefore necessarily entails ending the practice of rate basing costs greater than the revenue based allowances. According to TURN/UCAN, its proposal addresses the issue of proper ratemaking treatment for utility and applicant installation costs. Further, TURN/UCAN contend that the Commission should recognize that the specific issue addressed in its testimony is an important subset of the broader issue of "placing utility shareholders at risk for costs in excess of bid amounts." TURN/UCAN point to Decision (D.) 94-12-026 for support.

The JURs argue that the TURN/UCAN proposal to cap rate base at the amount of line extension allowances is outside the scope of the issues identified for this proceeding.

I conclude that the TURN/UCAN proposal to introduce revenue based allowances into the accounting issues remaining, is outside the scope of this proceeding. The JURs' motion to strike the portions of the TURN/UCAN testimony related to revenue based allowances should be granted.

Therefore, **IT IS RULED** that the Joint Utility Respondents' motion to strike portions of the prepared testimony is granted to the extent set forth below:

CBIA

At p. 2, line 9, the sentence which reads as follows: "First, design and installation credits need to be comparable to their respective costs."

At p. 2, the sentence at line 16 which reads as follows: "Third, allow applicant installers to purchase materials from any of the utility's approved manufacturers."

At p. 2, the language at line 18 which reads as follows: "Fourth, remove two unfair utility practices. Prohibit the bate-and-switch tactic of charging for overtime when the utility cannot perform on time and require the utility to disclose all monopoly service charges, if requested by the applicant."

At p. 8, the sentence which begins at line 7: "Primary among these is the need to provide a proper and realistic credit for work performed by applicants, which places the utility in a comparable position in terms of risk and reward."

At p. 9, the language which begins at line 2 and ends at line 8: "In SDG&E's territory . . . for applicant design or installation."

At p. 9, the language which begins on line 10 and ends at line 19: "It is about the business practices that should be used . . . non-comparable position at ratepayer expense."

The entirety of p. 10.

The entirety of p. 11.

The entirety of p. 12.

At p. 13, all of the testimony prior to Section VI.

At p. 14, all of the language under Section VII.

The entirety of p. 15, with the exception of the sentence which begins at line 19: “Each utility’s . . . directly to shareholders.

At p. 16, paragraphs 1, 2, 3, and 6.

At p. 17, paragraph 7 and 8.

At p. 20, the second sentence on the page: “First, a utility bid . . . level playing field.”

At p. 20, the language which begins at line 15 and ends at line 20: “For additional ratepayer and applicant savings . . . the cost of monopoly services, if requested.”

UDI

UDI’s Direct Testimony of Dale Garren: Questions and Answers 12 through 21, and 22 located at p. 3, line 12 through p. 6, line 16;

UDI’s Direct Testimony of Don Hagey: Questions and Answers 7 (portion), 11 through 17, 20 (portion), 21 (portion), and 23;

UDI’s Affidavit of Dennis Razzari in toto; and

UDI’s Affidavit of Barry Crosby in toto.

TURN

P. 1, lines 10-21.

P. 2, line 1-17.

P. 3, lines 1-3.

P. 5, lines 13-17,

Dated August 22, 2001, at San Francisco, California.

/s/ BERTRAM D. PATRICK
Bertram D. Patrick

Administrative Law Judge

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of the original attached Administrative Law Judge's Ruling on Motion to Strike Testimony on all parties of record in this proceeding or their attorneys of record.

Dated August 22, 2001, at San Francisco, California.

/s/ FANNIE SID

Fannie Sid

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.